

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3085 - SB 3073

February 25, 2010

SUMMARY OF BILL: Exempts from excise tax for tax years 2010 and 2011 the first \$25,000 of net income of any business having profits less than \$100,000 per year, and the first \$15,000 of net income of any business having profits greater than \$100,000, but less than \$200,000 per year.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$34,872,500 per year/FY10-11 and FY11-12
Increase State Expenditures - \$100,000/One-Time

Assumptions:

- Taxpayers are not authorized excise tax credits and will not have carry forward losses.
- Based on information provided by the Department of Revenue, it is estimated that there are approximately 19,300 excise taxpayers with net incomes less than \$100,000 per year; and approximately 3,600 excise taxpayers with net incomes greater than \$100,000, but less than \$200,000 per year.
- Pursuant to Tenn. Code Ann. § 67-4-2007(a), the excise tax is 6.5 percent of net income.
- The decrease to state revenue associated with taxpayers having net incomes less than \$100,000 per year is estimated to be \$31,362,500 ($19,300 \times \$25,000 \times 6.5\% = \$31,362,500$).
- The decrease to state revenue associated with taxpayers having net incomes between \$100,000 and \$200,000 per year is estimated to be \$3,510,000 ($3,600 \times \$15,000 \times 6.5\% = \$3,510,000$).
- The total decrease to state revenue for FY10-11 and FY11-12 is estimated to be \$34,872,500 each year ($\$31,362,500 + \$3,510,000 = \$34,872,500$).
- One-time state expenditures estimated to be \$100,000 for DOR system modifications.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White".

James W. White, Executive Director

/rnc

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